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Elson PD

file TW  
cc As below +  
Dr Wolfson  
Henry James

10 DOWNING STREET

From the Private Secretary

30 August 1979

~~BF 11-9-79~~

Dear Mark.

Perks

The Chancellor of the Exchequer called on the Prime Minister at 0900 this morning. They discussed the draft speech which Mr. John Hoskyns had provided for the Chancellor for his speaking engagement on Saturday 1 September; I have already relayed the Prime Minister's main comments on this draft to you by telephone. They discussed certain senior appointments, about which I will be minuting separately. In addition, they discussed the issue of perks.

The Prime Minister said she had been horrified by the consultative paper on the taxation of cars and petrol. This paper had been published without prior consultation with her, and whatever the merits of changing the present system, the phrasing of the paper - in particular the implication that there might be an Order in the autumn - and its general handling had been politically inept. Any early action to increase the taxation of perks, especially for lower and middle management, would be seen - and rightly so - as a negation of the Chancellor's Budget strategy on income tax. The taxation of perks would have to be approached very carefully, and as part and parcel of the strategy of improving the net rewards for people in business. The Prime Minister went on to say that she would not contemplate the laying of an Order before the next Budget, even if this was confined to raising the company car scales in line with inflation. It would be desirable for the Chancellor to make this clear as soon as possible.

The Chancellor pointed out that the document on car and petrol benefits was explicitly intended for consultation; it did not include any firm proposals. There was also a good deal of support for the basic aim of getting rid of the anomalies in the present system. But he accepted that any changes would require very careful handling, and that they would have to be made as part of the overall tax strategy. He would be making a speech to the Institute of Directors on 13 September, and this would provide a good forum for clarifying the Government's position. He would let the Prime Minister see the draft of that part of this speech which would deal with the perks point. The Prime Minister agreed to this, but reiterated that it was essential to make it clear that the Government had no intention of early action which might have the effect of countermanding the tax cuts in the Budget.

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/Apart from



Apart from the taxation of perks, the Chancellor mentioned that an exercise had been put in hand to examine the perks provided to executives in the nationalised industries. There was the question of whether the Government should take any initiative at this stage to persuade the corporations to cut down on their perks. The Prime Minister and the Chancellor agreed that, as long as the private sector continued to provide perks on a substantial scale, it would be hard to justify taking any general initiative at this stage.

I am sending copies of this letter to Andrew Duguid (Department of Industry), Genie Flanagan (Department of Transport), Tom Harris (Department of Trade), Bill Burroughs (Department of Energy), David Edmonds (Department of the Environment), Jim Buckley (Lord President's Office), John Beverly (Bank of England) and Martin Vile (Cabinet Office).

*Tom cur.*

*Tim Laker.*

M.A. Hall, Esq.,  
H.M. Treasury.